

SENATE BILL REPORT

EHB 1977

As of March 14, 2003

Title: An act relating to clarifying the intentions of Senate Bill No. 6835, chapter 367, Laws of 2002.

Brief Description: Clarifying use tax provisions.

Sponsors: Representatives Grant, DeBolt, Orcutt and Roach.

Brief History:

Staff: Catherine Suter (786-7442)

Background: In the 2002 session, the Legislature enacted SB 6835, which, among other things, imposed the use tax on the services of installing, repairing, cleaning, altering, imprinting, or improving tangible personal property. Such services on tangible personal property had been subject to sales tax for years, but not to use tax. Because most of these services take place in-state and are already subject to sales tax, the principal intended effect of the bill was to impose use tax on those services when performed out-of-state on an item subsequently used in Washington.

The Legislature has provided sales tax exemptions for the services of installing, repairing, cleaning, altering, imprinting, or improving several kinds of tangible personal property. However, some complementary exemptions were not imposed from the use tax because there was no use tax on such services. SB 6835, in imposing the use tax on these services, inadvertently imposed the use tax on services that are exempt from the sales tax.

Summary of Bill: Use tax exemptions are provided for installing, repairing, cleaning, altering, imprinting, or improving the following types of property:

- interstate transportation equipment
- manufacturing machinery and equipment
- purchases by federal corporations providing aid and relief
- prosthetics, orthotics, ostomic items, and hearing aids
- public ferry vessels
- movie production services
- tangible personal property donated to a nonprofit organization or governmental entity
- air pollution control facilities at the Centralia Steam Plant
- agricultural field burning machinery and equipment
- dairy nutrient management equipment
- anaerobic digesters
- public contracts for watershed protection or flood protection

- tangible personal property brought into Washington temporarily for purposes of business, pleasure, or armed services.

These extensions of exemptions are retroactive to June 1, 2002.

In addition, several technical changes are made to statute, including making more explicit that the taxation of tangible personal property occurs after the item has received the service, returned to Washington State, and is taken under dominion or control. This does not represent a change in law, but rather a reiteration and clarification.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.